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Weekly Contributions  
Latin America Branch, ORE, CIA  
6 September 1949

25X6A

CURRENT DEVELOPMENTS

CENTRAL DIVISION: Plotting by Venezuelan exiles and their confederates within the country is causing the government some concern (p. 2). In Colombia, a strike by Communist-led oil workers is threatened (p. 2). (See Article on Colombian Electoral Controversy, p. 6)

SOUTHERN DIVISION: Bolivian Government forces have all but suppressed the MNR-led revolt (p. 3).

SPECIAL SUBJECTS

The Communist Situation in Guatemala . . . . .	4
The Colombian Electoral Controversy . . . . .	6
The Current Situation in Peru . . . . .	8

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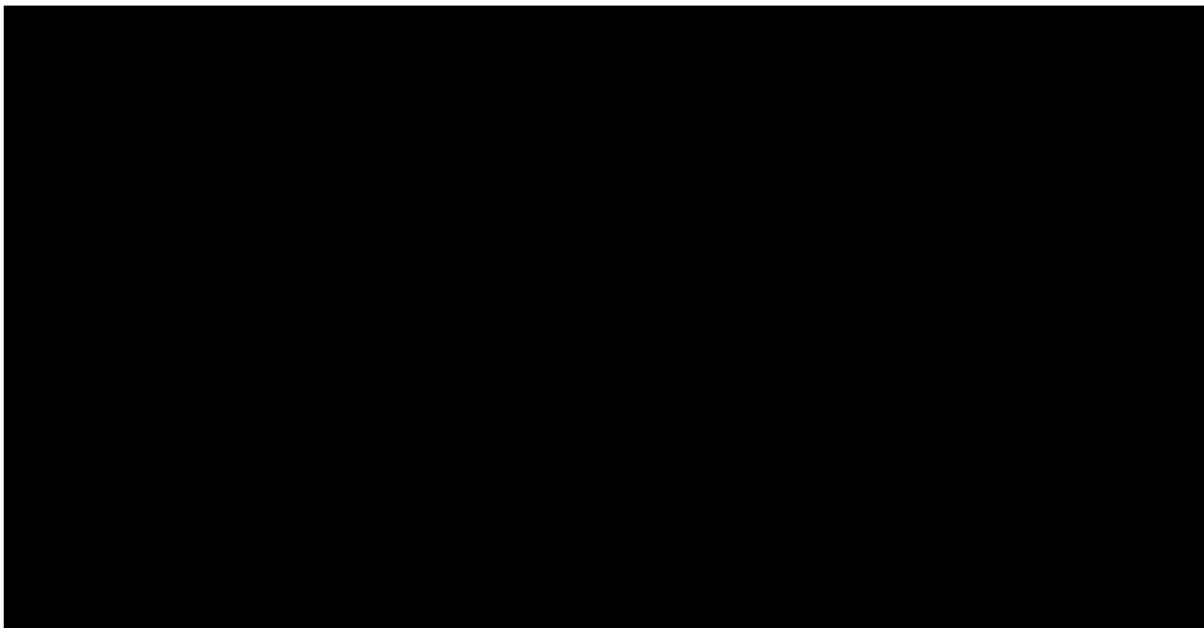
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Weekly Contributions, B/LA  
(CIA Working Paper)

6 September 1949

25X6A



- ✓ 2. VENEZUELA: Reports on plotting against the government, 25X1X4@ in  
25X1X4□ Venezuela and abroad, are increasing. [REDACTED]  
[REDACTED] there is an Acción Democrática underground having  
contacts with exiled leaders. [REDACTED]  
the exiles have completed a plan which calls for an initial air  
attack with ground support from the local underground, the attack  
to be accompanied by a general petroleum strike. Arms for the  
venture, reportedly, are being purchased in the US and Mexico.  
While there are indications that the Venezuelan Government is  
somewhat preoccupied with the possibility of an attack or insur-  
rection, B/LA has received no clear evidence of any notable de-  
cline in the government's capabilities to handle the situation  
should it develop.
3. COLOMBIA: Possible Oil Strike by Communist-led Labor Expected  
to be Ineffective  
Tropical Oil Company, an affiliate of Standard of New  
Jersey, decided last February to dismiss approximately 450 workers  
as the result of a technical and operational reorganization. In  
July, the Tropical Oil Workers' Union appealed to the Ministry of  
Mines and Petroleum to forbid the layoffs and threatened to strike  
should the ministry's decision be adverse. Reversing its past

~~SECRET~~

2.

**CONFIDENTIAL**

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Weekly Contributions, B/LA  
(CIA Working Paper)

6 September 1949

rather pro-labor record, the ministry handed down a decision on 26 August authorizing the dismissals, stating that technical and operational efficiency would thereby be increased. Confronted with this decision, the union is now forced to strike or to admit openly its declining effectiveness.

B/LA estimates that should a strike be called, it will be relatively ineffective since: (a) the petroleum labor leaders have lost prestige with the workers during the past year, because they have paid too much attention to politics, and too little to labor's needs; (b) the financial resources of the unions are reported to be extremely low; and, finally, (c) the government, which has recently given evidence of a firmer policy regarding Communist-dominated labor organizations, has reinforced the army garrisons in the threatened area in anticipation of a strike.

4. BOLIVIA: Suppression of Revolt

The Bolivian Government's success to date in suppressing an extremely serious MNR revolutionary threat has increased its chance of surviving throughout its term of office. Despite the aid given to the revolt by Argentina's initial failure to take adequate measures to prevent MNR exiles from crossing the border, the government has been able to put down the revolt, except in two remote cities in the southeastern section of the country. The government's success is derived from the FIR's failure to support the rebels because of disagreement among its leaders, the lack of full participation by labor unions, and the continued loyalty of the majority of the army. The government's ability to retain the advantage it now has over the MNR depends upon the progress it may be able to make in alleviating Bolivia's already serious economic situation, which will undoubtedly be aggravated as a result of the revolt. Further, the MNR is not likely to remain chastened for long by the failure of its revolutionary attempt.

US security interests have been favored by the survival of a democratic government favorable to US policies, but have been adversely affected to an even greater degree by the damage to the morale and prospects of the Bolivian tin industry, and by the increased tension between Latin American republics that developed over charges and counter-charges as to foreign intervention in the Bolivian revolt.

~~SECRET~~~~CONFIDENTIAL~~

3.

**CONFIDENTIAL**

Weekly Contributions, B/LA  
(CIA Working Paper)  
Article 18-49

6 September 1949

The Communist Situation in Guatemala

Communist influence in Guatemala is a reflection of the political influence of leftist sympathizers within the revolutionary government of President Arevalo. This influence to date has been considerable. Communist fortunes are now in a decline, however, due to the removal of some sympathizers from the government, the developing conservatism of others, and the potential inability of leftist groups to oppose an expected army campaign to force all leftist sympathizers out of the government. If there is an open struggle for power, the Communists, except for ability to add to the violence, may well be rendered powerless by the defeat of their supporters.

The situation is somewhat anomalous in that the Communist Party, as such, is illegal in Guatemala, and yet Communist influence in national affairs is greater than in any other of the Central American, or possibly Latin American, countries. The ability of Communists (estimated at not more than 200) to influence political affairs stems directly from the tolerance of Communists and Communist ideas by important officials who support (and are in turn supported by) organized leftist political parties and labor unions. Such officials include President Arévalo himself, Minister of Economy and Labor Bauer Paiz, Minister of Defense Jacobo Arbenz, UN representative García Granados, and (until recently relieved of his post as Minister of Foreign Affairs) Enrique Muñoz Mearny.

Protected by the tolerance of these officials, the influence of Communists on Guatemalan policies has, to date, been considerable. Guatemala has frequently assumed an anti-US attitude on international questions --- for example, in the UN Guatemala has often voted either with the USSR or has abstained from voting, but has comparatively rarely supported the US in opposition to the USSR. Guatemala's diplomatic representatives have also facilitated the international travel of Communists in Europe and America. Within the country, Communists have been permitted to work within the legal political parties, the newly developed and government-sponsored labor unions, and to organize various Communist-front groups. They have also been permitted to transmit and disseminate anti-US propaganda received from sources abroad, and to aid (or instigate) strikes and other measures injurious to US business interests.

Communist fortunes are now, however, on the decline. Since the assassination of Colonel Arana (who had become a strong and popular anti-Communist leader) on 18 July 1949, government officials sympathetic to

**CONFIDENTIAL**

~~SECRET~~

4.

Weekly Contributions, B/LA  
(CIA Working Paper)  
Article 18-49

- 2 -

6 September 1949

Communism have been replaced or have moved toward the right. President Arévalo has replaced Foreign Minister Muñoz Meany (an ardent supporter of the Spanish Republican government-in-exile, a friend of international Communists, and an anti-imperialist nationalist) with Ismael González Arévalo (pro-US and opposed to the extreme leftists). Minister of Defense Arbenz (who has approved of, and presumably aided in, the arming of labor unions for the militant support of the Arévalo administration) now appears inclined to disavow certain leftist objectives and manifests a more moderate attitude. It is true that the leftist Minister of Economy and Labor, Bauer Paiz, has been retained. It is also true that leftist PAR members and unionists were issued arms (3,000 rifles and 50 sub-machine guns) immediately after Arana's assassination, and thus their ability to use force as a political weapon was increased. But the extreme leftist strength is probably not sufficient to enable them to counteract the strength and influence of the army, within which opposition to Arévalo and his leftist appointees has rapidly consolidated. Should the army seek to gain control of the government, as seems probable, it will undoubtedly have the sympathy of existent conservative and anti-Communist organizations, and of many followers of the moderately leftist FPL. Moreover, if the army does gain control, it may seek to eliminate from power some, or all, of the important administration officials (including leftist sympathizers) who are regarded as the "intellectual authors" of Arana's assassination. These include President Arévalo himself, Minister of Defense Arbenz, Minister of Communications Aldana, Director of National Police Sandoval, and various congressional deputies and high officials of the PAR and FPL.

B/LA believes, therefore, that in the event of an open struggle for power between pro- and anti-Communist forces, the Communists will be rendered politically impotent along with many of their liberal sympathizers. Although the Communists may be able to instigate strikes, riots, violence, and sabotage in an attempt to maintain their position, their political host organizations — the extreme leftist parties and unions — do not have the strength to oppose the influence and strength of the unified, army-backed conservative movement that is now developing.

~~SECRET~~

**CONFIDENTIAL**

5.

Weekly Contributions, B/LA  
(CIA Working Paper)  
Article 19-49

6 September 1949

The Colombian Electoral Controversy

The key to the very real prospects for increasingly serious political tension in Colombia is the possible presidential veto of the recently enacted amendment to the electoral law, which is the basis for the bitter controversy now going on between Liberals and Conservatives (see Political, Current Situation in Colombia, B/LA Weekly, 30 Aug 49). The Liberal-sponsored amendment, which advances the presidential election date from June 1950 to November 1949, has been passed by both houses of congress, in spite of strenuous opposition by the Conservative minorities, and is now ready for Conservative President Ospina's signature or veto. A great majority of the reports received in B/LA indicate that a veto is expected. In view of the fact that such presidential action may very possibly precipitate serious trouble, some consideration of the mechanics of the veto may be useful in interpreting subsequent reporting on the Colombian political situation.

According to the Colombian Constitution, a presidential veto may be overridden in one of three ways, according to the nature of the legislation or the basis of the veto. If the enactment is "ordinary" legislation, a veto may be overridden by a majority of the total membership of each house. If it is of the nature of "code" law, a two-thirds majority of the total membership of each house is required. Should the president base his anticipated veto on the grounds of unconstitutionality (rather than on other grounds), the bill is referred to the supreme court for final decision.

During the debates in the lower house (early in August), the president indicated that he would veto any such bill as being unconstitutional. Although the original law, enacted last year, was in code form, the Liberals have been very careful to see to it that the amendment just passed was enacted as ordinary legislation, for they lack the necessary two-thirds majorities to override a veto of code legislation. By vetoing the bill as unconstitutional, however, the president would defeat this strategy and force reference to the supreme court.

A recently received State Department despatch reports that the Colombian Foreign Minister doubts very much that the Colombian Supreme Court would accept jurisdiction should the bill be referred to it, because the court has traditionally denied itself authority to pass judgment on procedural matters. The cited report implies that the minister believes that the court would hold that whether an enactment was ordinary

~~SECRET~~

~~CONFIDENTIAL~~

6.

Weekly Contributions, B/LA  
(CIA Working Paper)  
Article 19-49

- 2 -

6 September 1949

law or code law is a procedural matter for exclusive congressional determination. Should this be the outcome, it is most likely that the Liberal majorities will consider the enactment ordinary legislation, override the veto, and demand that the president enforce the law advancing the election date.

Some reports state that should this happen, there must inevitably develop political unrest to the point that President Ospina will have ample justification for the declaration of a state of siege during which elections could constitutionally be postponed. Two factors cast some doubt upon the likelihood of any such declaration. It is questionable whether a Colombian president may declare a state of siege while congress is in session without the consent of congress. (No conclusive precedent exists and Ospina has, so far, shown a meticulous regard for the constitutional limitations on the executive.) If, on the other hand, the president can constitutionally make such a declaration without congressional consent, he must in any event get the consent of the Council of State, which, reportedly, is also controlled by the Liberals.

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**CONFIDENTIAL 7.**

Weekly Contributions, B/LA  
(CIA Working Paper)  
Situation Memorandum 49-49

6 September 1949

The Current Situation in Peru

(Summary — The military junta, although it does not enjoy popular support, has tightened its control over the country. The economic situation has been improved somewhat by revised exchange controls and better export prospects. The armed forces have apparently attained effective unity, under the control of the junta, with consequent improvement in morale and loyalty. The Communists are too weak to cause much trouble, while the numerous Aprista party is quiescent under rigid government control. In international affairs, a break in diplomatic relations with Cuba did not interrupt normally cordial relations with the US and most other American republics.

— The situation as to US interests was slightly improved. While US interest in Hemisphere solidarity and in democratic processes was not advanced by Peruvian developments, the junta's increased strength and its revision of exchange regulations so as to stimulate mineral production outweigh the unfavorable developments. The invitation of a mission of US experts is also indicative of an orientation towards the US — in economic affairs at least.)

Political

The military junta, although it has not won increased popular support during its ten months in power, has at least managed to tighten its control over the country and no serious threat to its continuance has as yet appeared. In order to safeguard its position it has resorted to issuance of decrees that abridge constitutional guarantees of freedom of press, speech, and assembly (see B/LA Wkly, 2 Aug 49). The political reaction to this move, however, has apparently been less significant than that produced by the government's economic policies which have recently caused political opposition to develop even among business groups that previously supported the regime. This opposition is without immediate effect on the stability of the government; it would be of importance only if elections were to be held within the near future, which is not likely.

Economic

Peru's economic problem is principally one of imbalance between exports and imports with resultant exchange difficulties, but the situation seems slightly better than it was in June (see B/LA Wkly, 7 Jun 49). The junta temporarily relieved the dollar shortage to some extent by limiting

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Weekly Contributions, B/LA  
(CIA Working Paper)  
Situation Memorandum 49-49

- 2 -

6 September 1949

the term during which dollar-exchange certificates could be sold, but this expedient should be helpful only for a short time. Another drastic step taken by the government in an apparent effort to let exchange rates reach a natural level was a decree allowing exporters of metals to retain 100 percent of the dollar exchange received. This move has favored exporters at the expense of importers, who must buy dollars from exporters at high prices. The result has been to stimulate Peruvian mineral production; it has, however, alienated what little support the junta had among the importers.

Even though the 1949 export figures are likely to be under those for 1948, prospects for exports are somewhat better than they were three months ago, because metal prices have recovered somewhat after a fairly sharp drop. Another factor on the favorable side for possible future Peruvian trade is the conclusion on 21 August of a commercial agreement between Peru and Argentina, which -- in addition to making arrangements for Peruvian payments for Argentine ~~oil~~ <sup>oil</sup> already received -- will, it is reported, stimulate sales of Peruvian petroleum to Argentina. An encouraging development both for Peru and for the US is the establishment of a mission of US experts to study problems of production, marketing and exchange.

#### Military

The Odría regime has maintained its control of the armed forces, on the support of which it depends for its existence. An insignificant plot by several discontented army officers was broken up rather efficiently in July before it became any real threat, and discreet reassignments of officers and units indicate the junta's close surveillance of military loyalty. There is no indication that the military groups which favored Lt. Colonel Llosa have been active, and the general morale and discipline of the army appear to be somewhat better.

#### Subversive

The Apristas -- the most numerous group opposing the present regime -- are apparently quiet and are too disorganized and too suppressed to undertake any major move at this time. Communists, although they are allowed considerable leeway by the present regime, are too weak to constitute any significant threat by their own unaided efforts. They still are violently opposed to the Apristas, who feel the same towards them.

#### International

The most important international event during the current period was the rupture of relations with Cuba, which came as the result of

**CONFIDENTIAL**

SECRET

9.

Approved For Release 2000/08/29 : CIA-RDP79-01090A000200030010-6

Weekly Contributions, B/LA  
(CIA Working Paper)  
Situation Memorandum 49-49

- 3 -

6 September 1949

Peruvian anger over "irregularities" in the escape of two Apristas from their sanctuary in the Cuban Embassy. Less striking events were the conclusion of a new commercial agreement with Argentina, a treaty of friendship and cooperation with Italy, and an agreement providing for a Spanish mission to train Peruvian police and rural guards. Aside from the charges and recriminations motivated by the rupture with Cuba, and the apparent strengthening of relations with Argentina, Peru's relations with all the other Latin American republics and the US remain unchanged.

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